

### Summary:

The Telecommunication industry in the Dominican Republic has been growing over the last five years and has been characterized by greater competition, price reductions, and the introduction of new technologies, which allows the industry to offer modern products and services. The cellular sub-sector is the most competitive and the sub-sector that experiences the largest growth rate. The country enjoys a modern telecommunication law that: facilitates investment in the sector by providing equal treatment for local and foreign investors; allows price rates to be set freely by the industry players; and guarantees interconnection rights. Although there are four providers of telephony services; the local, long distance, cellular, and ISP markets are dominated by Verizon. This report provides an overview of the Dominican telecommunication market accompanied by relevant statistics, and information on the legal framework.

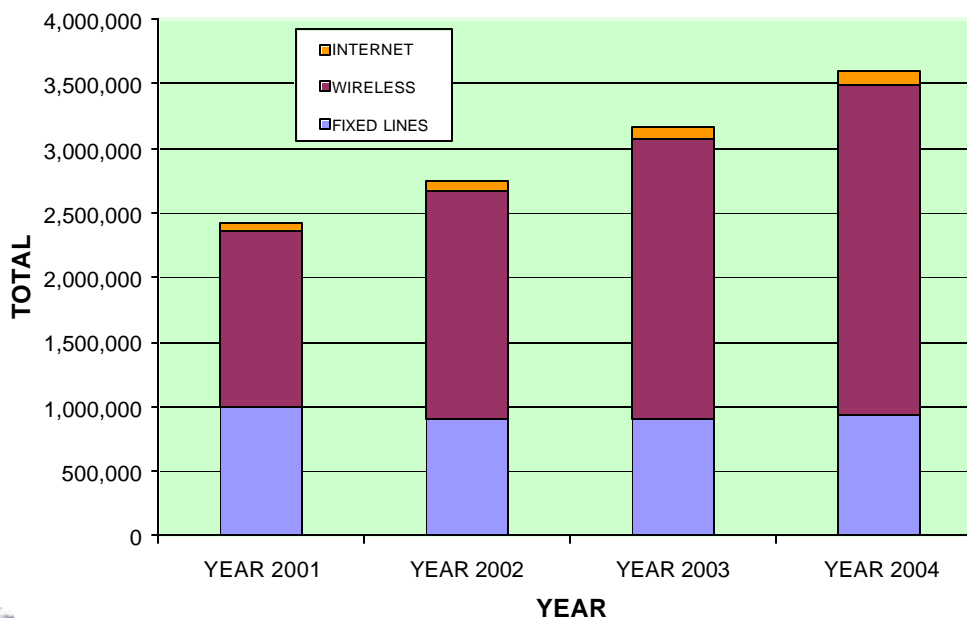


### Overview:

The telecommunications industry in the Dominican Republic has shown a significant dynamism and steady growth. The Central Bank reported that the telecommunication industry contribution to the GDP value added of has been growing at an average of 20 percent over the last five years.

As a result, telecommunication now generates over 10 percent of the Dominican GDP versus just 5.8 percent in 2000. Growth is more significant in the cellular sub-sector where the number of wireless subscribers in 2004 was more than three times the number of wireless subscribers in 2000. The country has also seen steady Internet growth, showing an average annual growth rate of 15 percent between 2000 and 2004. As a result, teledensity in the Dominican Republic has increased from 20 percent in 2000 to nearly 40 percent in 2004 according to the Dominican Institute for Telecommunications (INDOTEL).

### TELEPHONY STATISTICS





Competition exists throughout the Dominican telecommunications sector with four companies competing for the market. According to statistics from the Center for Promotion of Investment and Exports of the Dominican Republic, the telecommunication sector reported foreign investment of US\$115 million during 2004; and two of the largest companies have recently announced their intent to invest \$270 million in 2005.

## Regulatory Issues

### 1) The Telecommunication Law:

Although the Dominican Republic liberalized its telecommunications market to allow competitors to enter the market as early as 1992, it did not update its General Telecommunications Law until 1998. This Law (153-98) regulates the entire telecommunications industry and it applies to the transmission and reception of words, sounds, images, or information by means of electromagnetic signals or impulses. The approval of Law 153-98 was a major development in the Dominican market; it is a modern and flexible legal instrument that enables public regulation while maintaining favorable conditions for private investment. This law promotes the free functioning of the telecommunication market under conditions of effective competition, constituting the first legal instrument that the country has adopted to regulate competition in a particular industry. The law also allows companies the freedom to set rates and the freedom to negotiate between service providers. Another fundamental objective of Law 153-98 is the reaffirmation of the principle of universal service and the creation of a "Contribution to Telecommunications Development Tax", which mandates a two percent charge to telecommunication services. The funds generated by this tax are applied to the execution of projects to promote universal telephone services and the financing of INDOTEL (Instituto Dominicano de las Telecomunicaciones). INDOTEL is the government agency that supervises and regulates telecommunication services in the Dominican Republic. It is responsible for issuing concessions, establishing standards, supervising operators, and developing national and international telecommunications policies. INDOTEL is well regarded within the telecommunications industry, and is said to demonstrate a proactive and equitable role in the supervision of the market.

### 2) Local Taxes:

The following taxes apply to all imported Telecommunication Equipment (which comprises 100 percent of the local market):

- Import duty: 3 percent of the CIF price (Cost+Insurance+Freight);
  - Exchange Surcharge: 13 percent of CIF;
- and VAT (Tax to the Transfer of Industrial Products and Services or ITBIS): 16 percent, calculated after adding to the CIF price the total amount of taxes due (import duty and exchange surcharge).

The following taxes apply to all Telecommunication Services provided in the Dominican Republic (a total of 28 percent):

- ITBIS: 16 percent.
- Contribution to Telecommunications Development Tax: 2 percent.
- Selective Consumption Tax: 10 percent.
- In addition, INDOTEL also assess an annual "User Fee" on the right to use the radio spectrum.



### 3) Standards:

The Dominican Republic is a member of the International Telecommunications Union (ITU), an agency of the United Nations in Geneva, which plays a vital role in the standardization of telecommunications. Law 153-98 acknowledges the applications of the recommendations issued by the ITU, and establishes that all the technical norms in the Dominican Republic must be in accordance with international practices in World Zone Number 1, to which the country belongs.

### 4) Market Entry Regulations:

The Telecommunication Law regulates the telecommunication services emphasizing the type of services that can be provided, rather than the type of company that can offer them. This focus translates into technological advantages for the industry by recognizing the modern tendency of technological convergence.

Based on Law 153-98, companies interested in offering communication services in the Dominican Republic, must apply for the following authorizations:

TYPE OF AUTHORIZATION	MANDATORY FOR	IMPORTANT PROVISIONS
<b>CONCESSIONS</b>	-All telephony services (fixed and wireless) -Cable TV services -Television broadcasting -Radio broadcasting	Granted after INDOTEL has determined that the applicant complies with the technical, economic, and qualification requirements. Granted for renewable terms of five to twenty years.
<b>LICENSES</b>	Services that require the use of the RF spectrum:  Wireless services (cellular, paging, trunking),  Radio and TV broadcasting.	Granted through a public bidding because the frequencies are not available in an unlimited number and are granted for renewable terms of five to twenty years. Radio and television broadcasting licenses are only issued to Dominican citizens.
<b>REGISTRATIONS</b>	-Ham radio service -Mobile aeronautical service -Mobile maritime service -Resale of services -Private telecommunication services -Value added services (electronic mail, Internet/Intranet, and digital transmission of data).	A simple formality of registration.

**IMPORTANT NOTE:** In all instances it is required that the applicant be incorporated as a company according to the laws of the Dominican Republic. In addition, all the information and communications with INDOTEL must be in Spanish, or if in a different language, they must be translated to Spanish by an authorized legal/court translator in the Dominican Republic.

## IMPORTANT SUBSECTORS OF THE TELECOMMUNICATION MARKET

### I. FIXED TELEPHONY:

The Dominican market for fixed lines is largely dominated by Verizon, which accounts for 84 percent of all the installed lines.

<b>FIXED TELEPHONY</b>	<b>Year 2001</b>	<b>Year 2002</b>	<b>Year 2003</b>	<b>Year 2004</b>
Number of residential lines	615,769	602,245	603,937	630,105
Growth rate	-	-2.20%	0.30%	4.30%
Number of business lines	257,604	246,783	254,241	263,634
Growth rate	-	-4.20%	3%	3.70%
Number of public phones	11,324	11,781	12,148	12,443
Growth rate	-	4%	3.10%	2.40%
Number of Wireless Local Loop	70,448	48,148	38,483	29,973
Growth rate (%)	-	4%	-20.10%	-22.10%
WLL Teledensity	0.80%	0.60%	0.40%	0.30%
<b>TOTAL FIXED LINES</b>	<b>955,145</b>	<b>908,957</b>	<b>908,809</b>	<b>936,155</b>
<b>FIXED TELEDENSITY</b>	<b>11.80%</b>	<b>10.60%</b>	<b>10.50%</b>	<b>10.60%</b>

### II. WIRELESS:

The Dominican wireless market is extremely competitive, with four carriers currently in the market. Verizon (formerly Codetel) began its wireless operations in 1987, Tricom in 1992, and in 2000, two new operators initiated service -- France Telecom's Orange and Centennial Communications, a U.S. company.

Approximately 90 percent of the country enjoys cellular network coverage. The cellular system in the Dominican Republic operates at 800 and 1900 MHz frequency (which is the North American standard) using CDMA and GSM technologies.

During the initial introduction of cellular technology, when only one company dominated the industry, users were limited to top executives of corporations, high-ranking government officials and elite members of the society because of the high subscriber cost. The introduction of Personal Communication Systems (PCS) services, the implementation of "Calling Party Pays", and the multiple marketing plans offered by the operators have made the cellular sector a dynamic, competitive and growing sector. The most important market segment under the wireless telephony is the "pre-paid" sector. The country's economic situation and the lack of basic telecommunication access in rural areas have made the "pre-paid" service the number one choice for lower class segments.

Once cellular systems became available and affordable, the market for trunking systems have been limited to companies operating large fleets, taxis companies, and government agencies. Likewise, the paging market has declined significantly.

WIRELESS TELEPHONY	Year 2001	Year 2002	Year 2003	Year 2004
Number of analog cellulares	438,747	305,282	228,995	129,486
Prepaid	425,010	298,824	228,068	128,953
Invoiced	13,737	6,458	927	533
Growth Rate	-	-30.40%	-25.00%	-43.50%
Number of digital cellulares	831,335	1,395,327	1,862,919	2,404,577
Prepaid	667,972	1,186,400	1,594,022	2,030,549
Invoiced	163,363	208,927	268,897	374,028
Growth Rate	-	67.80%	33.50%	29.10%
Number of pagers	96,716	59,724	34,766	18,191
Growth rate	-	-38.20%	-41.80%	-47.70%
<b>TOTAL WIRELESS</b>	<b>1,270,082</b>	<b>1,700,609</b>	<b>2,122,543</b>	<b>2,534,063</b>
<b>WIRELESS GROWTH RATE</b>	<b>-</b>	<b>33.90%</b>	<b>24.80%</b>	<b>19.40%</b>
<b>WIRELESS TELEDENSITY</b>	<b>15.7%</b>	<b>19.9%</b>	<b>24.5%</b>	<b>28.8%</b>

### III. INTERNET:

The Internet was launched in 1994 in the Dominican Republic and although it has experienced a continuous growth, ten years later there is still little use of Internet outside of Santo Domingo, Santiago, and La Romana, the country's largest cities. Only 1.2% of the population has Internet access.

There is very little e-commerce, in either the business-to-client or business-to-business sectors. This is due primarily to the reduced penetration of PC's in the consumer market, a lack of trust in using credit cards, and the high cost of access.

INTERNET	Year 2001	Year 2002	Year 2003	Year 2004
Number of lines	64,382	82,518	96,391	106,296
Growth rate		28.20%	16.80%	10.30%
<b>INTERNET TELEDENSITY</b>	<b>0.80%</b>	<b>0.90%</b>	<b>1.10%</b>	<b>1.20%</b>

**NOTE:** All the statistical information was retrieved from the Instituto Dominicano de las Telecomunicaciones (INDOTEL): [www.indotel.org.do](http://www.indotel.org.do), and the Central Bank of the Dominican Republic: [www.bancentral.gov.do](http://www.bancentral.gov.do)



The U.S. Commercial Service offers assistance and excellent programs to help American companies interested in doing business in the Dominican Republic. For more information on services available to U.S. business please visit our website: [www.export.gov/caribbean](http://www.export.gov/caribbean). A list of attorneys that can provide assistance in these regulatory issues is available from the U.S. Commercial Service at the U.S. Embassy in Santo Domingo.

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